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SIPDIS

SENSITIVE

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DEPT FOR S/CT NOVIS, INL/C/CP RINDLER, ISN/ECC HARTSHORN,
AF/E, AND AF/EPS HASTINGS
DEPT PASS TO FDIC

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TAGS: [EFIN](#) [PTER](#) [ECON](#) [KE](#)

SUBJECT: MONEY LAUNDERING IN KENYA: FDIC TRAINING A SUCCESS
SENSITIVE BUT UNCLASSIFIED

¶1. (SBU) Summary: Kenyan participants in the FDIC's September bank supervision regulatory training class praised the course highly and said they would apply elements to Kenya's own draft anti-money laundering (AML) bill. They suggested increased case studies, practical visits to agencies, tips for trainers, and opportunities for interaction among the students. EconOff advised them the next INCSR/AML report would reflect the revelations of widespread, massive money laundering from the Charterhouse scandal (septel), and urged them to encourage their agencies to push the AML bill's passage and renew their investigation of Charterhouse and Paramount Banks. End Summary.

¶2. (SBU) After being nominated by the Embassy Nairobi Economic section, five Kenya government officials participated on FDIC Regulatory training on anti-money laundering training for trainers' course held September 18-22, 2006 in Rosslyn, VA. The Kenyan participants drawn from the interagency Anti-Money Laundering Task Force (AMLTF) were: James Manyonge, Assistant Director, Legal Services, Banking Supervision, Central Bank of Kenya (CBK); Samuel Rono, Assistant Manager, Banking Supervision, CBK; Francis Okonya, Assistant Commissioner of Police and Director, Banking Fraud Investigations Unit, CBK; Samuel Keter, Parliamentary Counsel, Attorney General's Office; and James Buyela, Assistant Commissioner, investigations, Kenya Revenue Authority (KRA). FDIC funded all the participants' costs.

¶3. (SBU) On October 3, Acting Econ Counselor and Econ Specialist met with the participants to get their feedback on the course. The participants were very positive about the course, and enjoyed the experience. The course was well-taught, and they enjoyed meeting students from other countries. They confirmed the course work was relevant to their work and provided valuable inputs for revising Kenya's draft anti-money laundering bill, which they expect will be tabled in Parliament before the end of 2006. They noted that, in the absence of AML legislation, KRA is the agency handling AML-related cases as it evident that perpetrators of AML do not pay taxes. They hope that FDIC will enable more of their colleagues to attend the course to expand the knowledge base at their agencies.

Comments on the course by the participants:

¶4. (SBU) The participants made the following specific suggestions for future iterations of the course:

- The course schedule was intense. It would be useful to have an informal social event with the other participants get to know one another, and a joint dinner during the course of the training.

- Spend more time on case studies, and use more references and case studies from developing countries, especially on setting up financial intelligence units.
- Include some American students in the class to provide their perspectives and experience.
- To obtain more regional perspectives on AML/CTF, hold a roundtable discussion or divide the class into subgroups with reps from each region to discuss specific issues and then report to the entire class.
- Provide practical experiences like a visit to the FIU, the stock exchange, insurance or real estate professional associations, or other avenues for money laundering. While this would require extending the class length, it would greatly enhance the course experience.
- Include information on asset recovery and actual operations of FIUs.
- Include a session on tips for trainers to prepare them to train their colleagues.

Use Your Knowledge

15. (SBU) Acting Econ Counselor thanked the participants for their insights, but then expressed the concerns of the USG, other donor countries, and the IFIs about the large-scale money-laundering exposed by the Charterhouse and Paramount Bank scandals (septel). He warned that the 2007 INCSR money laundering report would correct the 2006 report's conclusion that Kenya's financial sector was not being used for money laundering, and urged them to push their agencies to address Charterhouse, Paramount and the other banks as soon as possible. He noted that UNODC and the World Bank were ready

to provide technical assistance, and the USG could help set up an FIU. The Kenyan officials were fairly confident the GOK would send the AML bill to Parliament soon, and that Parliament would pass it before the end of 2006. They believed focusing on the anti-crime, anti-corruption aspects of the bill would make it difficult for opponents to block it with allegations it targeted the Muslim community, or was the result of USG pressure.

Comment

16. (SBU) Keter's statement that he had almost finished amending the AML bill to harmonize it with existing laws, and would send it to the Ministry of Finance soon for publishing matches statements from senior KOK officials. He also confirmed the implementing regulations are done. Once the bill is published, Post will work with or through UNODC, the World Bank and other donors to support passage.

Hoover